

**Agency Proposed Budget**

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	145.49	(11.50)	1.00	134.99	(11.50)	1.00	134.99	134.99
Personal Services	5,372,423	257,062	29,838	5,659,323	251,771	29,768	5,653,962	11,313,285
Operating Expenses	1,924,622	383,925	6,270	2,314,817	356,838	4,120	2,285,580	4,600,397
Equipment	129,713	(14,850)	0	114,863	43,350	0	173,063	287,926
<b>Total Costs</b>	<b>\$7,426,758</b>	<b>\$626,137</b>	<b>\$36,108</b>	<b>\$8,089,003</b>	<b>\$651,959</b>	<b>\$33,888</b>	<b>\$8,112,605</b>	<b>\$16,201,608</b>
General Fund	521,303	12,957	18,054	552,314	12,151	16,944	550,398	1,102,712
State/Other Special	5,627,536	444,028	0	6,071,564	472,149	0	6,099,685	12,171,249
Federal Special	1,277,919	169,152	18,054	1,465,125	167,659	16,944	1,462,522	2,927,647
<b>Total Funds</b>	<b>\$7,426,758</b>	<b>\$626,137</b>	<b>\$36,108</b>	<b>\$8,089,003</b>	<b>\$651,959</b>	<b>\$33,888</b>	<b>\$8,112,605</b>	<b>\$16,201,608</b>

**Agency Description**

The Department of Livestock is responsible for controlling and eradicating animal diseases, preventing the transmission of animal diseases to humans, protecting the livestock industry from theft and predatory animals, and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer; the Livestock Crimestoppers' Commission; and the Beef Research and Marketing Committee. The department is organized into five divisions: Animal Health, Centralized Services, Brand-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The 57th Legislature added the Board of Horse Racing and its staff to the Department of Livestock. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

**Agency Highlights**

<b>Department of Livestock Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>The executive requests the department's continued participation in the bison operational cooperative agreement and the Greater Yellowstone Interagency Brucellosis Committee grant</li> <li>The executive has requested the elimination of 11.5 FTE across the agency, primarily due to revenue reductions</li> <li>Statewide present law adjustments drive the bulk of the remaining increases</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>Diagnostic lab expenditures outpace revenue in the animal health fund account, creating a structural imbalance</li> <li>Funding switch from federal special revenue to state special revenue</li> </ul>

### Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Centralized Services Program	\$ -	\$ 3,119,718	\$ 130,062	\$ 3,249,780	20%
03 Diagnostic Laboratory Program	183,822	2,435,073	-	2,618,895	16%
04 Animal Health Division	-	976,645	1,795,006	2,771,651	17%
05 Milk & Egg Program	-	516,947	83,002	599,949	4%
06 Brands Enforcement Division	-	5,109,916	-	5,109,916	32%
10 Meat/Poultry Inspection	918,890	12,950	919,577	1,851,417	11%
Grand Total	<u>\$ 1,102,712</u>	<u>\$ 12,171,249</u>	<u>\$ 2,927,647</u>	<u>\$ 16,201,608</u>	<u>100%</u>

The Department of Livestock is funded by general fund, state special revenue, and federal special revenue.

General fund supports two programs within livestock: 1) Diagnostic lab in Bozeman, and 2) Meat/Poultry inspections. The diagnostic lab receives general fund for its role in testing for public health and safety related diseases. The USDA/FSIS matching of general fund dollars for meat inspections is a 50-50 match of general fund and federal special revenue.

The livestock per capita account is the largest state special revenue account and funds a multitude of programs. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance. The animal health account also funds a variety of services and derives its revenues from lab testing fees and milk tax inspection. Additionally, the fund balance of animal health has turned negative and increases in lab fees that were implemented in FY 2004 helped offset an even larger increase in cost. Personal services costs in the animal health fund have outpaced increases in lab fees over the last several years.

Sixty-two percent of the federal special revenue comes from the bison operational cooperative agreement for \$660,000 over the biennium, and the Greater Yellowstone Interagency Brucellosis Committee grant for \$237,500 over the biennium. About 30 percent of the funding comes from the USDA in matching funds for meat and poultry inspections.

**LFD  
COMMENT***Livestock Per Capita account*

As shown in the figure above, revenue from the livestock per capita fee account provides a significant portion of the department's funding. Assessing an individual rate on each species of livestock derives revenues. As the figure below shows, head counts per species have steadily decreased over the years except for swine and poultry.

Figure 1  
The Department of Livestock  
Head Counts per Species  
FY 2001-2004

Livestock Species:	FY 2001	FY 2002	FY 2003	FY 2004	Difference FY 2001-2004
CATTLE	1,903,820	1,822,370	1,805,049	1,729,997	(173,823)
SHEEP & GOATS	269,218	250,742	235,457	221,314	(47,904)
HORSES & MULES	92,740	91,235	94,983	89,203	(3,537)
SWINE	70,896	67,279	74,248	87,017	16,121
POULTRY	293,084	285,590	312,565	332,547	39,463
BEEES	53,381	46,182	43,615	41,060	(12,321)
LLAMAS	2,679	3,444	2,863	2,330	(349)
BISON	13,475	14,281	10,870	10,097	(3,378)
DOMESTIC UNGULATES	3,798	3,103	2,594	2,356	(1,442)
RATITES	563	367	289	242	(321)
Subtotal	<u>2,703,654</u>	<u>2,584,593</u>	<u>2,582,533</u>	<u>2,516,163</u>	<u>(187,491)</u>

The reduction in head counts is primarily due to two factors:

- The drought conditions in the state of Montana over the last five years have left rangelands unsuitable for sustaining a prosperous cattle industry
- The increases in the price of beef have caused some of the beef producers to sell off their herds and wait for better conditions both economically and environmentally

As a result, revenues to the livestock per capita account have been impacted. The Board of Livestock has increased the per capita fees for each species of livestock for FY 2005 by approximately 5 percent, but is limited to 110 percent of a three year moving average of actual collections. With the total head count of livestock decreasing, additional fee increases should only keep the level of funding constant. The following figure shows the status of the account through the executive recommendation in the 2007 biennium (see Figure 2). The fund currently shows a positive ending fund balance. This fund balance growth is due to measures taken by the Board of Livestock to reduce expenditures and raise revenues for two primary reasons:

- In the 2001 legislature (HB 124) impacted the livestock per capita account by changing the timing of deposits. The Department of Livestock was accustomed to receiving their per capita fees on a prospective basis and with the passage of the bill, started receiving their payments on a retrospective basis. The impact was that the department essentially lost a year's worth of revenue. This change created a negative cash flow in the department of \$1.4 million in FY 2002.
- As stated previously, headcounts have resulted in lower revenues within the per capita account. The revenues shown below remain stable only because of regular increase in the fees levied on the producers.

**LFD  
COMMENT  
CONT.**

**Figure 2**  
Department of Livestock  
Livestock Per Capita Fund  
FY 2001-2007

	Actuals FY2001	Actuals FY2002	Actuals FY2003	Actuals FY2004	Projected FY 2005	Projected FY 2006	Projected FY 2007
Fund Balance Beginning	\$2,232,238.5	\$1,263,041.3	(\$138,797.5)	\$93,605.6	\$1,156,507.2	\$1,185,139.2	\$1,604,229.2
Expenditures							
Personal Services	(2,832,449.6)	(2,072,247.5)	(1,662,345.1)	(1,250,245.5)	(1,880,573.4)	(1,717,187.7)	(1,713,836.0)
Operating Expenses	(1,345,878.5)	(1,294,893.5)	(816,453.2)	(907,502.5)	(1,361,794.6)	(1,244,722.3)	(1,244,004.1)
Equipment & Intangible Assets	(78,820.0)	(144,147.6)	(18,450.0)				
Total Expenditures	<u>(\$4,257,148.1)</u>	<u>(\$3,511,288.6)</u>	<u>(\$2,497,248.4)</u>	<u>(\$2,157,748.0)</u>	<u>(\$3,242,368.0)</u>	<u>(\$2,961,910.0)</u>	<u>(\$2,957,840.1)</u>
Revenue							
Taxes	3,219,404.2	2,090,677.8	2,727,232.4	3,214,858.8	3,265,118.6	3,374,920.9	3,599,516.3
Charges For Services							
BOI Investment Earnings Class	60,401.9	18,913.7	2,419.0	5,790.8	5,881.4	6,079.1	6,483.7
Grants/Transfers/Misc	8,144.8						
Total Revenue	<u>\$3,287,951.0</u>	<u>\$2,109,591.4</u>	<u>\$2,729,651.4</u>	<u>\$3,220,649.6</u>	<u>\$3,271,000.0</u>	<u>\$3,381,000.0</u>	<u>\$3,606,000.0</u>
Ending Fund Balance	<u>\$1,195,104.0</u>	<u>(\$138,797.5)</u>	<u>\$93,605.6</u>	<u>\$1,156,507.2</u>	<u>\$1,185,139.2</u>	<u>\$1,604,229.2</u>	<u>\$2,252,389.1</u>

Projected FY 2005-2007 Expenditures and Revenues are allocated based upon the last five year average per category.  
Projected FY 2005-2007 Personal Services account for the annualized pay plan

While the beef producers continue to wait for beef prices to decrease before entering back into the market and for the drought conditions to ease in the state, the mainstay of revenue that supports most operations and programs of the department is not keeping pace with the overall costs within the Department of Livestock, and the department is proposing the elimination of several positions to decrease expenditures, as shown in the following figure.

**Figure 3**  
Positions Recommended for Elimination  
Department of Livestock  
2007 Biennium

Division	Position Title	FTE	Total Funding
Centralized Services	Attorney	3.00	\$260,247
	Programmer		
	Accountant		
	Admin Support	0.50	\$52,501
Diagnostic Lab	Admin Support	0.50	36,692
Animal Health	Veterinarian	3.00	260,131
	Admin Support		
	Vacant Position		
Brands Enforcement	Bureau Chief	4.50	302,944
	Admin Support		
	Brand Inspectors		
Total		<u>11.50</u>	<u>\$912,515</u>

For a further discussion of the individual reductions, please see the program narratives that follow.

**Biennium Budget Comparison**

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	Present Law Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Biennium Fiscal 04-05	Total Exec. Budget Fiscal 06-07
FTE	133.99	1.00	134.99	133.99	1.00	134.99	145.49	134.99
Personal Services	5,629,485	29,838	5,659,323	5,624,194	29,768	5,653,962	11,461,209	11,313,285
Operating Expenses	2,308,547	6,270	2,314,817	2,281,460	4,120	2,285,580	4,923,178	4,600,397
Equipment	114,863	0	114,863	173,063	0	173,063	364,094	287,926
Total Costs	\$8,052,895	\$36,108	\$8,089,003	\$8,078,717	\$33,888	\$8,112,605	\$16,748,481	\$16,201,608
General Fund	534,260	18,054	552,314	533,454	16,944	550,398	1,054,263	1,102,712
State/Other Special	6,071,564	0	6,071,564	6,099,685	0	6,099,685	12,817,479	12,171,249
Federal Special	1,447,071	18,054	1,465,125	1,445,578	16,944	1,462,522	2,876,739	2,927,647
Total Funds	\$8,052,895	\$36,108	\$8,089,003	\$8,078,717	\$33,888	\$8,112,605	\$16,748,481	\$16,201,608

**New Proposals**

The "New Proposal" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Add 1.0 FTE Meat Inspector										
10	1.00	18,054	0	18,054	36,108	1.00	16,944	0	16,944	33,888
<b>Total</b>	<b>1.00</b>	<b>\$18,054</b>	<b>\$0</b>	<b>\$18,054</b>	<b>\$36,108</b>	<b>1.00</b>	<b>\$16,944</b>	<b>\$0</b>	<b>\$16,944</b>	<b>\$33,888</b>

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	23.28	(3.50)	0.00	19.78	(3.50)	0.00	19.78	19.78
Personal Services	822,944	53,823	0	876,767	53,458	0	876,402	1,753,169
Operating Expenses	697,064	65,832	0	762,896	36,651	0	733,715	1,496,611
Equipment	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$1,520,008</b>	<b>\$119,655</b>	<b>\$0</b>	<b>\$1,639,663</b>	<b>\$90,109</b>	<b>\$0</b>	<b>\$1,610,117</b>	<b>\$3,249,780</b>
State/Other Special	1,454,977	119,655	0	1,574,632	90,109	0	1,545,086	3,119,718
Federal Special	65,031	0	0	65,031	0	0	65,031	130,062
<b>Total Funds</b>	<b>\$1,520,008</b>	<b>\$119,655</b>	<b>\$0</b>	<b>\$1,639,663</b>	<b>\$90,109</b>	<b>\$0</b>	<b>\$1,610,117</b>	<b>\$3,249,780</b>

**Program Description**

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, and general services functions for the department. The division also provides the overall management of the Milk Control Bureau. The Board of Livestock and the executive officer administer the Predator Control Program. Although the board placed the predator function in this division during the 2003 biennium, all functions remain unchanged, including the two aircraft and the contract with U.S. Department of Agriculture Wildlife Services. Through helicopter hunting and contracts, predators that kill or injure domestic livestock, primarily coyotes, are controlled.

The Livestock Crimestoppers' Commission and the Beef Research and Marketing Committee are administratively attached. The 57th Legislature moved the Board of Horse Racing to the Department of Livestock. This board and its staff report directly to the executive officer.

**Program Highlights**

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> <li>The executive requests elimination of 3.50 FTE due to vacancies and revenue shortfalls</li> <li>The executive requests reducing the executive secretary's position from full-time to part-time in the Board of Horse Racing to decrease costs</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Centralized Services Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02029 Board Of Horse Racing	\$ 175,272	11.5%	\$ 196,233	12.0%	\$ 196,546	12.2%
02426 Lvstk Per Capita	1,095,090	72.0%	1,188,525	72.5%	1,158,408	71.9%
02817 Milk Control Bureau	184,615	12.1%	189,874	11.6%	190,132	11.8%
03209 Meat/Poultry Inspection Sp Rev	65,031	4.3%	65,031	4.0%	65,031	4.0%
Grand Total	<u>\$ 1,520,008</u>	<u>100.0%</u>	<u>\$ 1,639,663</u>	<u>100.0%</u>	<u>\$ 1,610,117</u>	<u>100.0%</u>

The Centralized Services Program (CSP) is funded with state and federal special revenue from sources used to support the rest of the department. State special revenue consists of livestock per capita fee and the milk control bureau. The Board of Horse Racing is funded entirely with the Board of Horse Racing state special revenue, about 12 percent of total revenue. Livestock per capita fees fund about 72 percent of total costs and the Milk Control Bureau funds 12 percent. Federal special revenue comes from meat and poultry inspection, about 4 percent of total revenues.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				243,574					243,712
Vacancy Savings				(42,662)					(42,663)
Inflation/Deflation				(16,121)					(16,116)
Fixed Costs				35,590					6,212
<b>Total Statewide Present Law Adjustments</b>				<b>\$220,381</b>					<b>\$191,145</b>
DP 1 - Information Technology Departmental Equipment									
0.00	0	12,730	0	12,730	0.00	0	12,730	0	12,730
DP 2 - FTE Reduction - Centralized Services Division									
(3.00)	0	(129,839)	0	(129,839)	(3.00)	0	(130,408)	0	(130,408)
DP 104 - Board of Livestock - Per Diem									
0.00	0	8,550	0	8,550	0.00	0	8,550	0	8,550
DP 105 - Board of Horse Racing - Office Rent									
(0.50)	0	4,629	0	4,629	(0.50)	0	4,888	0	4,888
DP 106 - Out of State Travel-CSD									
0.00	0	3,204	0	3,204	0.00	0	3,204	0	3,204
<b>Total Other Present Law Adjustments</b>									
<b>(3.50)</b>	<b>\$0</b>	<b>(\$100,726)</b>	<b>\$0</b>	<b>(\$100,726)</b>	<b>(3.50)</b>	<b>\$0</b>	<b>(\$101,036)</b>	<b>\$0</b>	<b>(\$101,036)</b>
Grand Total All Present Law Adjustments				\$119,655					\$90,109

**LFD  
COMMENT**

Each biennium when budgets are created by the agency, authorized positions are funded based upon position, class, pay plan, and longevity. As a result, changes in position status (such as upgrades, or changes in benefits costs) are incorporated into the total personal services costs. In addition, positions vacant for all or a portion of the year are funded as if they will be filled for the entire year. A vacancy savings rate is then applied to total personal services. The resulting change in funding are the personal services and vacancy savings figures in the statewide present law adjustments portion of the present law table.

Statewide present law personal services adjustments show an almost 25 percent increase. This large increase is due to the vacancy in the base year of three positions that were then fully funded in the budget:

- Accountant
- Programmer/Analyst
- Attorney

The executive recommends that these positions be permanently eliminated in DP 2. As a result, the total net increase in personal services is \$51,800 for FY 2006 and \$51,287 for FY 2007.

DP 1 - Information Technology Departmental Equipment -The executive requests additional livestock per capita fee authority to replace 10 computers each year of the 2007 biennium. This is in accordance with the department's four-year replacement plan.

**LFD  
COMMENT**

CSP follows the recommended personal computer (PC) replacement cycle policy set by ITSD that establishes a four-year asset life for PCs. CSP made no purchases in the base year for computers.

DP 2 - FTE Reduction - Centralized Services Division - The executive proposes to eliminate 3.00 FTE: attorney, accounting technician, and a programmer/analyst. Livestock per capita fee state special revenue cost savings is \$129,839 in FY 2006 and \$130,408 in FY 2007.

**LFD  
COMMENT**

These positions were all vacant in the base year. With the shortfall of revenues and increasing costs of providing services in the Department of Livestock, the executive proposes to eliminate these positions. Existing personnel would absorb the function of the accounting technician and programmer. CSP has contracted out for attorney services.

DP 104 - Board of Livestock - Per Diem - The executive requests additional livestock per capita fee authority each year of the biennium to fund per diem costs for the Board of Livestock. The amount being requested each year does not represent an increase above the base. The Board of Livestock meets 6 to 7 times per year, represents the livestock industry in the state of Montana during various meetings, and oversees the Department of Livestock.

**LFD  
COMMENT**

Per diem is a zero-based budget item. Base expenditures are removed from the adjusted base figures and must be added back through a decision package.

DP 105 - Board of Horse Racing - Office Rent - The executive requests approximately \$2,700 over the biennium for a rent increase in office space for the Board of Horse Racing. The rent is set by the Department of Administration

DP 106 - Out of State Travel-CSD - The executive requests an additional \$3,204 state special revenue authority each year of the biennium for out-of-state travel for the executive staff and some Board of Livestock members.



**LFD  
COMMENT**

The proposal would fund additional out-of-state travel to: 1) National Cattleman Beef Association; 2) American Sheep Industry Association; 3) United States Animal Health Association; and 4) Northwest Livestock Association. Travel was curtailed in the base year due to revenue shortfalls. Base year expenditures were \$762.

**LFD  
COMMENT**

Per diem is a zero-based budget item. Base expenditures are removed from the adjusted base and must be added back through a decision package. The amount requested is equal to actual FY 2004 expenditures.

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	21.00	(0.50)	0.00	20.50	(0.50)	0.00	20.50	20.50
Personal Services	841,232	80,312	0	921,544	78,920	0	920,152	1,841,696
Operating Expenses	358,119	25,044	0	383,163	29,717	0	387,836	770,999
Equipment	66,850	(66,850)	0	0	(60,650)	0	6,200	6,200
<b>Total Costs</b>	<b>\$1,266,201</b>	<b>\$38,506</b>	<b>\$0</b>	<b>\$1,304,707</b>	<b>\$47,987</b>	<b>\$0</b>	<b>\$1,314,188</b>	<b>\$2,618,895</b>
General Fund	91,911	0	0	91,911	0	0	91,911	183,822
State/Other Special	1,174,290	38,506	0	1,212,796	47,987	0	1,222,277	2,435,073
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$1,266,201</b>	<b>\$38,506</b>	<b>\$0</b>	<b>\$1,304,707</b>	<b>\$47,987</b>	<b>\$0</b>	<b>\$1,314,188</b>	<b>\$2,618,895</b>

**Program Description**

The Diagnostic Laboratory provides livestock laboratory diagnostic support for the Disease Control Program, Milk and Egg program, and livestock producers. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners, veterinarians, the Department of Fish, Wildlife and Parks and other agencies in protecting the health of animals, wildlife, and the public.

**Program Highlights**

<b>Diagnostic Laboratory Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>Increases of \$86,493 in state special revenue over the biennium are primarily due to the following: <ul style="list-style-type: none"> <li>An increase in statewide personal services adjustments</li> <li>Increase in out-of-state travel for the laboratory</li> </ul> </li> <li>A reduction in expenditures for diagnostic lab equipment and milk lab equipment is requested</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>The diagnostic lab is not self-supporting</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Diagnostic Laboratory Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 91,911	7.3%	\$ 91,911	7.0%	\$ 91,911	7.0%
02426 Lvstk Per Capita	196,499	15.5%	200,000	15.3%	200,000	15.2%
02427 Animal Health	<u>977,791</u>	<u>77.2%</u>	<u>1,012,796</u>	<u>77.6%</u>	<u>1,022,277</u>	<u>77.8%</u>
Grand Total	<u>\$ 1,266,201</u>	<u>100.0%</u>	<u>\$ 1,304,707</u>	<u>100.0%</u>	<u>\$ 1,314,188</u>	<u>100.0%</u>

The diagnostic laboratory program is funded with a mixture of general fund and state special revenue. General fund accounts for 7 percent of total funding and has historically been authorized for public health related testing. State special revenue is about 93 percent of total funding and comes from two primary sources: 1) The animal health account, which receives revenue from lab inspections, testing fees, and the milk tax and accounts for 78 percent of total state special revenue; 2) Livestock per capita fee, which is derived from a tax upon each head of livestock owned by producers.

### LFD ISSUE

#### *Diagnostic Laboratory Revenues*

The diagnostic laboratory in Bozeman is the only state laboratory used for diagnostic support for the disease control program and the milk and egg program. The main purpose of the diagnostic laboratory is to provide diagnostic testing for the livestock producers of Montana and any health issues related to the transfer of these diseases to humans. The lab also tests all milk and egg products for human consumption.

As stated above, the lab derives the bulk of its revenues from the animal health account. Historically, non-livestock related testing, and the public health related portion of testing performed at the lab, such as rabies, TB, chronic wasting disease, west nile virus, and brucellosis, has been funded with general fund. Livestock per capita provides the remainder of the funding.

Figure 4 shows actual level of revenues and expenditures through FY 2004 and projected revenues and expenditures through the FY 2007 biennium. As shown, revenues in the animal health account have fluctuated in recent years, and expenditures have outpaced revenues. For the FY 2007 biennium the executive is recommending a reduction in support staff from 1.00 to 0.50 FTE.

Laboratory fees were increased in FY 2004 and revenues from charges of services increased from \$447,820 to \$625,500 or roughly 40 percent. The department is requesting additional increases in diagnostic laboratory fees in FY 2005 in the range of 10 percent, or about \$63,000, with the goal of generating another \$100,000 in additional revenue each year. The figure below assumes the higher estimate through FY 2007, as well as the agency estimated increases in milk tax collections.

Personal services reflect the FY 2005 appropriated amount, along with the executive requested 2007 biennium level. The figures have not been adjusted for the executive's recommended 2007 biennium pay plan.

**LFD  
ISSUE  
CONT.**

As the figure shows, even with these increases in revenue, the fund has a structural imbalance, necessitating either a further increase in fees or a reduction in expenditures. The Department of Livestock has already taken a loan out from the Livestock per capita account, and will need to continue to find other sources of funding with the animal health fund balance continuing to deteriorate.

**Figure 4**  
Department of Livestock  
Animal Health fund #02427  
FY 2001-2007

	Actuals FY2001	Actuals FY2002	Actuals FY2003	Actuals FY2004	Projected FY 2005	Projected FY 2006	Projected FY 2007
Fund Balance Beginning	\$197,976.3	\$351,988.9	\$470,900.7	\$94,499.5	(\$120,292.3)	(\$526,828.1)	(\$649,752.8)
Expenditures							
Personal Services	(482,867.4)	(500,893.9)	(732,976.6)	(790,380.5)	(1,011,377.6)	(895,087.0)	(920,184.9)
Operating Expenses	(152,348.9)	(154,392.4)	(352,000.0)	(381,314.8)	(406,127.0)	(359,429.5)	(369,507.8)
Equipment & Intangible Assets	(44,863.0)	(19,536.2)		(66,850.0)	(67,103.6)	(59,387.8)	(61,053.1)
Total Expenditures	<u>(\$680,079.2)</u>	<u>(\$674,822.5)</u>	<u>(\$1,084,976.5)</u>	<u>(\$1,238,545.3)</u>	<u>(\$1,484,608.1)</u>	<u>(\$1,313,904.4)</u>	<u>(\$1,350,745.7)</u>
Revenue							
Licenses & Permits	6,880.0	24,145.0	15,762.5	22,250.0	23,339.3	24,617.9	25,352.4
Taxes	379,067.4	294,005.3	228,908.0	357,495.6	350,000.0	410,000.0	435,000.0
Charges For Services	486,540.3	463,417.7	447,820.3	625,500.8	675,000.0	725,000.0	725,000.0
BOI Investment Earnings Class	4,069.3	1,294.0	904.4	11.0	2,354.5	2,483.4	2,557.5
Grants/Transfers/Misc	15,472.3	(250.0)	9,844.0	4,500.0	12,209.1	12,878.0	13,262.2
Federal	10,000.0	11,263.9	5,336.1	13,996.2	15,169.4	16,000.4	16,477.8
Total Revenue	<u>\$902,029.3</u>	<u>\$793,875.9</u>	<u>\$708,575.3</u>	<u>\$1,023,753.6</u>	<u>\$1,078,072.3</u>	<u>\$1,190,979.7</u>	<u>\$1,217,650.0</u>
Ending Fund Balance	<u>\$351,988.9</u>	<u>\$470,900.7</u>	<u>\$94,499.5</u>	<u>(\$120,292.3)</u>	<u>(\$526,828.1)</u>	<u>(\$649,752.8)</u>	<u>(\$782,848.6)</u>

Projected FY 2005-2007 Expenditures and Revenues are allocated based upon the last five year average per category.  
Projected FY 2005-2007 Personal Services account for the annualized pay plan

Given the importance of the account in funding the diagnostic laboratory and other functions of the department, the legislature may wish to request that the department detail how it intends to achieve a structural balance in the account in both the 2007 biennium and in the coming biennia.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					137,760					136,429
Vacancy Savings					(39,159)					(39,106)
Inflation/Deflation					2,401					1,789
Total Statewide Present Law Adjustments					\$101,002					\$99,112
DP 301 - Diagnostic Lab Equipment	0.00	0	(28,350)	0	(28,350)	0.00	0	(22,150)	0	(22,150)
DP 302 - FTE Reduction - Diagnostic Laboratory	(0.50)	0	(18,289)	0	(18,289)	(0.50)	0	(18,403)	0	(18,403)
DP 304 - Lab Recharges - MSU Facilities Management	0.00	0	19,561	0	19,561	0.00	0	24,846	0	24,846
DP 306 - Out of State Travel -Lab	0.00	0	3,082	0	3,082	0.00	0	3,082	0	3,082
DP 307 - Reduction - Milk Lab Equipment	0.00	0	(38,500)	0	(38,500)	0.00	0	(38,500)	0	(38,500)
Total Other Present Law Adjustments										
	(0.50)	\$0	(\$62,496)	\$0	(\$62,496)	(0.50)	\$0	(\$51,125)	\$0	(\$51,125)
Grand Total All Present Law Adjustments					\$38,506					\$47,987

DP 301 - Diagnostic Lab Equipment - The executive requests a reduction in equipment expenditures of \$28,350 in FY 2006, and recommends purchasing a photocopier costing \$6,200 in FY 2007. The net reduction in equipment expenditures in FY 2007 is \$22,150.

DP 302 - FTE Reduction - Diagnostic Laboratory - The executive is requesting to reduce the administrative support position from full-time to part-time. The cost savings associated with this reduction is \$18,829 in FY 2006 and \$18,403 in FY 2007.

DP 304 - Lab Recharges - MSU Facilities Management - The executive requests additional state special revenue authority for increased facility services recharges from Montana State University (MSU). Funding is from the livestock per capita fund. The diagnostic laboratory is located on the Montana State University campus in Bozeman, and receives facility services from MSU. MSU recharges the lab for personal services for labor, maintenance cost, and especially utilities.

DP 306 - Out of State Travel -Lab - An increase in animal health authority of \$3,082 a year is requested in order to allow out-of-state travel for key lab personnel. Meetings would include: Western Conference of Veterinarian Diagnostic Pathologist; American Association of Veterinarian Lab diagnosticians; Intermountain Veterinary Medical Association; Interstate Medical Technology; and Interstate Milk Shippers for the milk lab. The amount being requested would restore historical averages for out-of-state travel.

DP 307 - Reduction - Milk Lab Equipment - The executive is requesting a reduction in equipment expenditures costing \$38,500 each year. In the base year, equipment for the milk lab was purchased and is not needed in the 2007 biennium.

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	17.00	(3.00)	0.00	14.00	(3.00)	0.00	14.00	14.00
Personal Services	546,639	80,050	0	626,689	78,931	0	625,570	1,252,259
Operating Expenses	416,083	267,913	0	683,996	267,587	0	683,670	1,367,666
Equipment	62,863	0	0	62,863	26,000	0	88,863	151,726
<b>Total Costs</b>	<b>\$1,025,585</b>	<b>\$347,963</b>	<b>\$0</b>	<b>\$1,373,548</b>	<b>\$372,518</b>	<b>\$0</b>	<b>\$1,398,103</b>	<b>\$2,771,651</b>
State/Other Special	274,981	201,064	0	476,045	225,619	0	500,600	976,645
Federal Special	750,604	146,899	0	897,503	146,899	0	897,503	1,795,006
<b>Total Funds</b>	<b>\$1,025,585</b>	<b>\$347,963</b>	<b>\$0</b>	<b>\$1,373,548</b>	<b>\$372,518</b>	<b>\$0</b>	<b>\$1,398,103</b>	<b>\$2,771,651</b>

**Program Description**

The Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and game farm animals. The program cooperates with the Departments of Public Health and Human Services, Fish, Wildlife and Parks, and Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The Rabies Control Unit protects public health from rabies by controlling the transmission of domestic animal and wildlife rabies, particularly through eradication of skunks.

**Program Highlights**

<b>Animal Health Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>Increases of \$720,481 over the biennium consist of a 40 percent increase in federal funds and a 60 percent increase in state special revenue. These increases are primarily due to: <ul style="list-style-type: none"> <li>Statewide personal services adjustments</li> <li>Continuation of the bison operational cooperative agreement and the greater Yellowstone Interagency Brucellosis Committee grant</li> <li>Elimination of 3.00 FTE due to funding constraints.</li> <li>A proposed funding switch to state special revenue from federal special revenues</li> </ul> </li> </ul>	
<b>Major LFD Issues</b>	
<ul style="list-style-type: none"> <li>Funding switch from federal special revenue to state special revenues</li> </ul>	

## Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table						
Animal Health Division						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02426 Lvstk Per Capita	\$ 260,050	25.4%	\$ 461,114	33.6%	\$ 485,669	34.7%
02427 Animal Health	14,931	1.5%	14,931	1.1%	14,931	1.1%
03427 Bison Trap Funds	750,604	73.2%	897,503	65.3%	897,503	64.2%
Grand Total	<u>\$ 1,025,585</u>	<u>100.0%</u>	<u>\$ 1,373,548</u>	<u>100.0%</u>	<u>\$ 1,398,103</u>	<u>100.0%</u>

The Animal Health Division is funded with federal and state special revenue. Federal special revenue comes from the Greater Yellowstone Interagency Brucellosis Committee grant of \$237,503 over the biennium and the bison operational cooperative agreement of \$660,000 over the biennium. State special revenue comes from livestock per capita fund.

## Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				239,941					239,063
Vacancy Savings				(31,465)					(31,427)
Inflation/Deflation				11					22
<b>Total Statewide Present Law Adjustments</b>				<b>\$208,487</b>					<b>\$207,658</b>
DP 401 - Animal Health-Vehicle Replacement-OTO	0.00	0	0	0	0.00	0	26,000	0	26,000
DP 402 - FTE Reduction - Animal Health Division	(2.00)	0	(90,446)	0	(2.00)	0	(90,814)	0	(90,814)
DP 403 - FTE Reduction - Bison Management	(1.00)	0	0	0	(1.00)	0	0	0	0
DP 404 - Out of State Travel- Animal Health	0.00	0	4,005	0	0.00	0	4,005	0	4,005
DP 405 - Bison Management - Federal Funds	0.00	0	0	225,917	0.00	0	0	225,669	225,669
<b>Total Other Present Law Adjustments</b>	<b>(3.00)</b>	<b>\$0</b>	<b>(\$86,441)</b>	<b>\$225,917</b>	<b>(3.00)</b>	<b>\$0</b>	<b>(\$60,809)</b>	<b>\$225,669</b>	<b>\$164,860</b>
Grand Total All Present Law Adjustments				\$347,963					\$372,518

### LFD ISSUE

The executive proposes a funding switch from federal special revenue to state special revenue in funding the statewide present law adjustments. As shown in the present law adjustments table, the executive is requesting an additional \$451,586 over the biennium in federal funds for bison management. However, total federal funds increase only \$293,798 for the division as a whole. This anomaly is because federal funds have been replaced with state special revenues in the base and in statewide present law adjustments. Any funding switch of this nature is to be requested in a new proposal to allow legislative consideration. The legislature may wish to increase federal funding for base and present law adjustments and reduce the bison management decision package by a like amount.

DP 401 - Animal Health-Vehicle Replacement – The executive requests state special fund authority to replace one 4x4 pickup. Funding for this request comes from the livestock per capita fund.

**LFD  
COMMENT**

The Animal Health Division provides a pickup truck for livestock investigators, who drive over 40,000 miles each year. The vehicles are replaced after 125,000 miles. The agency proposes to purchase one pickup in the 2007 biennium for \$26,000.

DP 402 - FTE Reduction - Animal Health Division - The executive requests a reduction of two full-time employees: veterinarian and an administrative support position. These positions are being eliminated due to the drought and decreased funds in the livestock per capita account. The annual savings from the elimination of these positions is \$90,446 in FY 2006 and \$90,814 in FY 2007.

**LFD  
COMMENT**

The Department of Livestock, after eliminating a veterinarian, would have three veterinarians on staff at the diagnostic lab in Bozeman, and two veterinarians on staff in the Animal Health Division.

DP 403 - FTE Reduction - Bison Management - The executive is requesting an 1.00 FTE transfer from the Animal Health Investigation program, which is state special revenue funded, to a federally funded position with the Animal Health Bison Management program.

**LFD  
COMMENT**

This transfer would eliminate 1.0 FTE, but total funding would not change as the funds would be used to contract services in the Animal Health Bison Management section.

DP 404 - Out of State Travel- Animal Health - This proposal requests an increase in state special revenue to allow out-of-state travel for the state veterinarian. This proposal would be entirely funded from the livestock per capita fund.

DP 405 - Bison Management - Federal Funds - This proposal requests federal special revenue authority in order to institute funding support for the department's operations. The executive is requesting additional consultants and professional services and equipment.

**LFD  
COMMENT**

The bison management federal funds consist of the Greater Yellowstone Interagency Brucellosis Committee grant and the bison operational cooperative agreement. These grants are provided to try and prevent the transmission of brucellosis from infected bison in and around Yellowstone National Park into the Montana cattle industry.



**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	237,557	4,738	0	242,295	5,133	0	242,690	484,985
Operating Expenses	33,847	10,635	0	44,482	10,635	0	44,482	88,964
Equipment	0	0	0	0	26,000	0	26,000	26,000
<b>Total Costs</b>	<b>\$271,404</b>	<b>\$15,373</b>	<b>\$0</b>	<b>\$286,777</b>	<b>\$41,768</b>	<b>\$0</b>	<b>\$313,172</b>	<b>\$599,949</b>
State/Other Special	239,199	6,077	0	245,276	32,472	0	271,671	516,947
Federal Special	32,205	9,296	0	41,501	9,296	0	41,501	83,002
<b>Total Funds</b>	<b>\$271,404</b>	<b>\$15,373</b>	<b>\$0</b>	<b>\$286,777</b>	<b>\$41,768</b>	<b>\$0</b>	<b>\$313,172</b>	<b>\$599,949</b>

**Program Description**

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws are accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

**Program Highlights**

Milk and Egg Inspection Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>Increases of \$57,000 over the biennium are primarily due to: <ul style="list-style-type: none"> <li>The purchase of one vehicle in FY 2007.</li> <li>Increases in statewide present law adjustments</li> </ul> </li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Milk & Egg Program						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02427 Animal Health	\$ 239,199	88.1%	\$ 245,276	85.5%	\$ 271,671	86.7%
03032 Animal Health Sp. Rev	<u>32,205</u>	<u>11.9%</u>	<u>41,501</u>	<u>14.5%</u>	<u>41,501</u>	<u>13.3%</u>
Grand Total	<u>\$ 271,404</u>	<u>100.0%</u>	<u>\$ 286,777</u>	<u>100.0%</u>	<u>\$ 313,172</u>	<u>100.0%</u>

The Milk and Egg program is funded with state special revenue and federal special revenue. The animal health account provides 87 percent of revenue for the Milk and Egg Division. A portion of animal health revenues comes from the tax on all milk producers. The current tax is 13.5 cents per hundred-weight, which is set by the Board of Livestock. In FY 2004 the tax on milk producers was changed from 14.97 cents on Class I milk to 13.5 cents tax on all classes of milk. Federal special revenues are provided from the U.S. Department of Agriculture to conduct shell egg surveillance.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				14,834					15,244
Vacancy Savings				(10,096)					(10,111)
<b>Total Statewide Present Law Adjustments</b>				<b>\$4,738</b>					<b>\$5,133</b>
DP 501 - Vehicle Replacement-Milk & Egg Bureau	0.00	0	0	0	0.00	0	26,000	0	26,000
DP 502 - Milk and Egg Bureau - Shell Egg Fed Funds	0.00	0	7,500	7,500	0.00	0	0	7,500	7,500
DP 503 - Out of State Travel - Milk and Egg Inspection	0.00	0	3,135	3,135	0.00	0	3,135	0	3,135
<b>Total Other Present Law Adjustments</b>				<b>\$10,635</b>	<b>0.00</b>	<b>\$0</b>	<b>\$29,135</b>	<b>\$7,500</b>	<b>\$36,635</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$15,373</b>					<b>\$41,768</b>

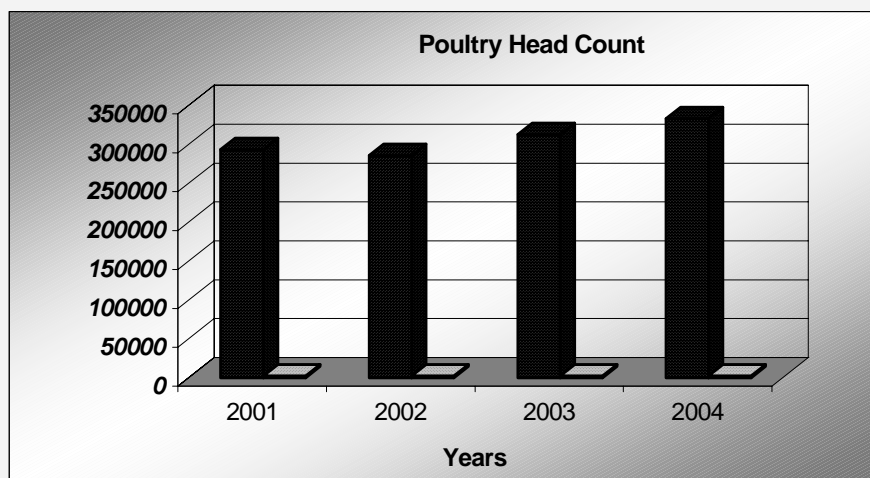
DP 501 - Vehicle Replacement-Milk & Egg Bureau - The executive proposes to replace one pickup truck assigned to a sanitarian in the Milk and Egg Bureau in FY 2007 for \$26,000. Funding is from the animal health fund.

DP 502 - Milk and Egg Bureau - Shell Egg Fed Funds - The executive is requesting an additional \$7,500 each year in federal special revenue spending authority for increased inspections of poultry and animal welfare.

#### LFD COMMENT

The federal government reimburses the Milk and Egg Inspection Bureau for poultry and animal welfare inspections conducted in the state of Montana. As the poultry head count graph shows, there has been continued growth with poultry in Montana, leading to increased inspections of poultry producers. The following figure shows poultry head count since 2001.

Figure 5



DP 503 - Out of State Travel - Milk and Egg Inspection - The executive requests an additional \$3,135 in state special revenue authority each year for out-of-state travel for the milk and egg sanitarians. Conferences are the National Conference of Interstate Milk Shippers and the annual milk rating officer seminar.

**LFD  
COMMENT**

The historical average for out-of-state travel in the Milk and Egg Division over the last five years is \$2,010 per year. The base year expenditures were \$2,888. This request would increase travel by over 100 percent.

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	61.71	(4.50)	0.00	57.21	(4.50)	0.00	57.21	57.21
Personal Services	2,253,448	24,244	0	2,277,692	21,354	0	2,274,802	4,552,494
Operating Expenses	224,166	2,482	0	226,648	2,608	0	226,774	453,422
Equipment	0	52,000	0	52,000	52,000	0	52,000	104,000
<b>Total Costs</b>	<b>\$2,477,614</b>	<b>\$78,726</b>	<b>\$0</b>	<b>\$2,556,340</b>	<b>\$75,962</b>	<b>\$0</b>	<b>\$2,553,576</b>	<b>\$5,109,916</b>
State/Other Special	2,477,614	78,726	0	2,556,340	75,962	0	2,553,576	5,109,916
<b>Total Funds</b>	<b>\$2,477,614</b>	<b>\$78,726</b>	<b>\$0</b>	<b>\$2,556,340</b>	<b>\$75,962</b>	<b>\$0</b>	<b>\$2,553,576</b>	<b>\$5,109,916</b>

**Program Description**

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and beef inspections.

**Program Highlights**

Brands Enforcement Division Major Budget Highlights	
<ul style="list-style-type: none"> <li>The executive requests a reduction of 4.50 FTE</li> <li>Restore \$94,305 a year for overtime pay</li> <li>Equipment would increase due to the purchase of two vehicles each year of the biennium</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Brands Enforcement Division						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02425 Inspection And Control	\$ 1,874,800	75.7%	\$ 1,556,340	60.9%	\$ 1,553,576	60.8%
02426 Lvstk Per Capita	602,814	24.3%	1,000,000	39.1%	1,000,000	39.2%
Grand Total	<u>\$ 2,477,614</u>	<u>100.0%</u>	<u>\$ 2,556,340</u>	<u>100.0%</u>	<u>\$ 2,553,576</u>	<u>100.0%</u>

The Brands Enforcement Division is entirely funded with state special revenue. Inspections and control funds 61 percent of expenditures and the livestock per capita account funds 39 percent. The inspections and control account receives revenues from livestock licensing, permits fees, state inspections, and brand recordings. At the time of sale, a \$0.50 assessment is charged each to the buyer and seller for livestock inspections. Every ten years a brand recorder fee is charged and each brand is re-recorded. The inspection of livestock and the brand recorder fees account for 85 percent of all revenues in the inspections and control account.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2006-----					-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				178,322					176,062
Vacancy Savings				(97,272)					(97,180)
Inflation/Deflation				(561)					(435)
<b>Total Statewide Present Law Adjustments</b>				<b>\$80,489</b>					<b>\$78,447</b>
DP 601 - Vehicle Replacement - Brands Division									
0.00	0	52,000	0	52,000	0.00	0	52,000	0	52,000
DP 602 - FTE Reduction - Brands Enforcement Division									
(4.50)	0	(151,111)	0	(151,111)	(4.50)	0	(151,833)	0	(151,833)
DP 603 - Out of State Travel - Brands Division									
0.00	0	3,043	0	3,043	0.00	0	3,043	0	3,043
DP 604 - Overtime - Brands Division									
0.00	0	94,305	0	94,305	0.00	0	94,305	0	94,305
<b>Total Other Present Law Adjustments</b>									
<b>(4.50)</b>	<b>\$0</b>	<b>(\$1,763)</b>	<b>\$0</b>	<b>(\$1,763)</b>	<b>(4.50)</b>	<b>\$0</b>	<b>(\$2,485)</b>	<b>\$0</b>	<b>(\$2,485)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>\$78,726</b>					<b>\$75,962</b>

DP 601 - Vehicle Replacement - Brands Division - The executive has requested the replacement of two vehicles each year of the 2007 biennium. These are 4x4 pickups extended cabs with a cost of \$26,000 per vehicle for a total cost each year of \$52,000. Funding is provided entirely from the inspection and control account.

**LFD COMMENT**

The Brand Enforcement Division provides a pickup truck for each brand inspector, who drives over 40,000 miles each year. The vehicles are replaced after 125,000 miles. The agency proposes to purchase two pickups in FY 2006 for \$52,000 and two pickups in FY 2007 for \$52,000.

DP 602 - FTE Reduction - Brands Enforcement Division - The executive is requesting a reduction of 4.50 FTE's in the Brands Division. Reduced from the budget are a market bureau chief, a half-time administrative support position, and three brand inspectors. The savings occur in the livestock per capita fee. The cost savings is \$151,111 in FY 2006 and \$151,883 in FY 2007.

**LFD COMMENT**

The three brands inspector positions that would be eliminated have been vacant for an extended period of time. It is the department's intention that current staff would cover all duties during the peak fall time period.

DP 603 - Out of State Travel - Brands Division - The executive requests an increase for out-of-state travel of \$3,043 per year. The requested travel is for attendance at the Livestock Identification Association and the Western States Livestock Investigation. Funding is from livestock per capita account.

**LFD COMMENT**

The base year expenditures for out-of-state travel were \$1,068. The last four years average is \$1,100 per year. The executive request will increase travel by about 400 percent a year from the four-year average.

DP 604 - Overtime - Brands Division - The executive requests \$94,305 in state special revenue authority each year in the biennium for overtime. The Brands Division experiences an unusual amount of overtime during the fall run when livestock are sold through the markets. This request is funded entirely from the inspection and control account.

**LFD  
COMMENT**

The requested amount of overtime is about 90 percent of expenditures in FY 2004, due to the reduction in livestock head counts. Overtime pay is removed from the adjusted base each biennium, thereby creating a decision package each biennium for continued appropriations.

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	17.50	0.00	1.00	18.50	0.00	1.00	18.50	18.50
Personal Services	670,603	13,895	29,838	714,336	13,975	29,768	714,346	1,428,682
Operating Expenses	195,343	12,019	6,270	213,632	9,640	4,120	209,103	422,735
<b>Total Costs</b>	<b>\$865,946</b>	<b>\$25,914</b>	<b>\$36,108</b>	<b>\$927,968</b>	<b>\$23,615</b>	<b>\$33,888</b>	<b>\$923,449</b>	<b>\$1,851,417</b>
General Fund	429,392	12,957	18,054	460,403	12,151	16,944	458,487	918,890
State/Other Special	6,475	0	0	6,475	0	0	6,475	12,950
Federal Special	430,079	12,957	18,054	461,090	11,464	16,944	458,487	919,577
<b>Total Funds</b>	<b>\$865,946</b>	<b>\$25,914</b>	<b>\$36,108</b>	<b>\$927,968</b>	<b>\$23,615</b>	<b>\$33,888</b>	<b>\$923,449</b>	<b>\$1,851,417</b>

**Program Description**

The Montana Meat and Poultry Inspection Act established the Meat and Poultry Inspection Program in 1987. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

**Program Highlights**

Montana Meat and Poultry Inspection Program Major Budget Highlights	
<ul style="list-style-type: none"> <li>The executive requests additional general fund and federal funds for field automation information management computer replacements</li> <li>The executive would add 1.0 FTE for a meat inspector</li> <li>Increases in statewide present law adjustments comprise the remaining increase</li> </ul>	

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

Program Funding Table Meat/Poultry Inspection						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 429,392	49.6%	\$ 460,403	49.6%	\$ 458,487	49.6%
02427 Animal Health	6,475	0.7%	6,475	0.7%	6,475	0.7%
03209 Meat/Poultry Inspection Sp Rev	430,079	49.7%	461,090	49.7%	458,487	49.6%
Grand Total	<u>\$ 865,946</u>	<u>100.0%</u>	<u>\$ 927,968</u>	<u>100.0%</u>	<u>\$ 923,449</u>	<u>100.0%</u>

The majority of meat and poultry inspection program funding is split evenly between federal funds and general fund. Per cooperative agreement with the United States Department of Agriculture (USDA), state special revenue funds cannot be used when they are derived through a fee on the producers being inspected by the program. Since state special revenues are generated from fees on those producers being inspected, the state match is provided by the general fund. A small portion of the funding is state special revenue derived from annual meat establishment license fees.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					42,417					42,498
Vacancy Savings					(28,522)					(28,523)
Inflation/Deflation					(10,141)					(9,750)
<b>Total Statewide Present Law Adjustments</b>					<b>\$3,754</b>					<b>\$4,225</b>
DP 103 - Field Automation Information Management (FAIM)-OTO										
	0.00	11,080	0	11,080	22,160	0.00	9,695	0	9,695	19,390
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$11,080</b>	<b>\$0</b>	<b>\$11,080</b>	<b>\$22,160</b>	<b>0.00</b>	<b>\$9,695</b>	<b>\$0</b>	<b>\$9,695</b>	<b>\$19,390</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$25,914</b>					<b>\$23,615</b>

DP 103 - Field Automation Information Management (FAIM)-OTO - The executive proposes to replace eight field automation and information management (FAIM) computers in FY 2006 and seven in FY 2007. The costs are funded 50 percent federal funds and 50 percent general fund.

**LFD  
ISSUE**

The recommended personal computer (PC) replacement cycle policy establishes a four-year asset life for PCs. Since the FAIM computers are specialized with specific inspection software, the division uses a replacement cycle of every five years. This joint venture with USDA was started in FY 2000. Livestock is requesting to replace 8 computers in FY 2006 and 7 computers in FY 2007. The cost is shared with USDA equally. This request contains \$20,250 of general fund over the biennium that is not recurring. Therefore, the appropriation should be designated as one-time only.

**New Proposals**

New Proposals										
-----Fiscal 2006-----						-----Fiscal 2007-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Add 1.0 FTE Meat Inspector										
10	1.00	18,054	0	18,054	36,108	1.00	16,944	0	16,944	33,888
<b>Total</b>	<b>1.00</b>	<b>\$18,054</b>	<b>\$0</b>	<b>\$18,054</b>	<b>\$36,108</b>	<b>1.00</b>	<b>\$16,944</b>	<b>\$0</b>	<b>\$16,944</b>	<b>\$33,888</b>

DP 101 - Add 1.0 FTE Meat Inspector - The executive requests adding 1.00 FTE meat inspector for the Eastern Montana region. The position is funded 50 percent meat/poultry inspection funds and 50 percent general fund. This requests also includes \$6,270 a year for a leased vehicle.